

**Industrial Revenue Bond Application Cover Sheet
Ordinance for Village @ La Orilla Shopping Center**

| Property Taxes | |
|---|-----------------|
| 2016 Taxes | \$ 17,031.56 |
| Estimated Taxes After Buildout | \$ 199,022.00 |
| Taxes Payable Under IRB (PILOT) | \$ 3,925,283.88 |
| Tax Abatement | |
| Percentage | 58% |
| Term (Years) | 15 |
| Total Tax Abatement Per Year | \$ 105,542.86 |
| Total Tax Abatement over the Life of the Agreement | \$ 928,035.00 |
| Amount of Taxes Abated by other Taxing Entities | \$ 655,080.00 |
| Competition | |
| The Village @ La Orilla a mixed development and is singular to this area of the county. | |
| Compliance with BCC Policies | |
| Based upon established criteria, Staff presents the Village @ La Orilla Shopping Center application to the Commission for consideration and vote. | |
| Staff Recommendation | |
| This project encourages infill, which has been promoted as an economical use of existing infrastructure. In addition to the economic-based brewery distribution, the Village @ La Orilla development provides additional amenities for our residents and achieves one of our major categories of activity, Quality of Life. | |

**Bernalillo County
Industrial Revenue Bond Application
Approval**

Bernalillo County Commission Board Meeting Date: May 23, 2017

A. Executive Summary

1. **Applicant:** Village @ La Orilla, LLC
2. **Project Location:** District 1 (3200 La Orilla Rd. NW., Albuquerque, NM)
3. **Legal Description of Parcel:** TR B-2, TR B-1, TR B-4, TR B-3
4. **Parcel Number(s):** 101206233750110115
101206236752210117
101206236752210117
101206236350110118
5. **IRB Action:** Motion to approve an Ordinance authorizing the Bernalillo County Commission to approve an Industrial Revenue Bond (IRB) application in an amount up to **\$4,000,000** on behalf of Village @ La Orilla, LLC to acquire, construct and equip a multi-purpose restaurant, brewery, entertainment, and retail facility to be used to provide food and entertainment services to the general public.

B. Project

1. Project Description:

The Village @ La Orilla, LLC acquired an eight-acre site in May 2015 at the project location and has received Bernalillo County Planning approval for a Special Use Permit for a Specific Use for a Movie Theater/Brew Pub Restaurant, a Restaurant and additional C-1 uses. This projects reflects current work and lifestyle trends by combining residential uses with easy access entertainment, banking, educational services and specialty food services and shopping. The anchor tenant, Flix Brewhouse (an eight-screen movie theater of approximately 40,000 square feet) opened November 2016. La Orillia is requesting bonds for the benefit of their tenants. The tax savings passes directly onto the tenants, as they will be obligated to pay the property taxes and any PILOT through their leases as a result of the IRB.

The requested IRB will be used for site development, infrastructure, equipment and construction cost of the buildings. The entire western portion is 100% housing: this

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5.5-acre residential development of 49 lots (directly west of the shopping center) is part of the site but not part of this IRB request.

The Village @ La Orilla is a business center located at the intersection of Coors Road and La Orilla. Manufacturing, processing and assembly of agricultural and manufactured products is a primary function that needs support from the Bernalillo County IRB Project.

Manufacturing will consist of canning/kegging and distributing of the Flix Brewhouse specialty craft beers onsite, then distributing locally and regionally. Participation in the Bernalillo County IRB program is needed to develop this manufacturing function. The cost of building the canning/kegging area is approximately \$1,100,000 and will create and sustain 15 to 30 permanent jobs producing \$1,000,000 to \$1,500,000 in payroll and benefits.

Beginning in late 2017, the Flix Brewhouse will begin distribution to local Albuquerque and New Mexico restaurant and liquor establishments and then plans to distribute outside of New Mexico in the future.

The manufacturing, processing and assembly functions include:

- Manufacturing, processing and assembly of Flix Brewhouse craft beers
- Canning and kegging the manufactured products
- Packaging and shipping manufactured products
- Use of local ingredients in manufacturing, processing and assembling products
- Products manufactured, processed and distributed in New Mexico
- Eventually, products will be manufactured, processed and distributed nationally

A second major business is the 8,800 square foot, Kiddie Academy (Pre K through Middle School), which is a national educational company that will employ over 25, many of which will be teachers and administrators. This Academy will be the first of its kind on the Westside of Albuquerque and prides itself on “educational-based child care.”

Nusenda Credit Union has also chosen the Village @ La Orilla as its “electronic branch” location to employ over 15 employees and provide a wide range of banking and financial services to area residents.

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2. Proposed Building Improvements and Land Use:

Construction permits from Bernalillo County have been obtained during the development process.

3. But for Test:

According to the Applicant, it is their assessment that area surrounding the Village @ La Orilla is growing at a fast pace with many new housing units. The Applicant believes that its development will provide these residents with convenient access to needed and desired services and that the total success of this project would not be possible without the involvement of Bernalillo County and the IRB.

The Village of La Orilla, LLC believes it will draw other tenants to this convenient Westside location with competitive leases (depending on IRB approval), easy road access, proximity to local customers and in a continually growing part of Bernalillo County. The main goals of the Village @ La Orilla, LLC. are to provide high quality goods and services to create long-term manufacturing and other jobs for Bernalillo County residents. These goals can be achieved only with a Bernalillo County IRB.

According to the applicant, approval of the IRB Ordinance by the Bernalillo County Commission will allow the manufacturing and other components to be completed and to start distribution operations. The capital investment from bond proceeds in buildings and equipment is essential to these businesses. The projected manufacturing jobs will materialize only with the financial assistance provided by the IRB. Subject to a required Payment In Lieu Of Taxes (PILOT), the IRB provides personal property and partial property tax exemptions over the term of the bond issue. Successful completion of the manufacturing components of the Village @ La Orilla depends on approval of the IRB.

Existing Property Taxes:

The 2016 Real Property taxes for La Orillia is \$17,032.

Estimated Property Taxes at Completion:

The 2017 Real Property taxes for La Orillia will be approximately \$199,002.

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Exemptions:**Original Application (Inducement)**

La Orillia had requested an annual exemption of county taxes of \$3,406 and that total is \$139,397. The total exemption would have been \$272,505 and the annual exemption will be \$13,625. La Orillia would have paid an annual PILOT of \$3,406 and total PILOT of \$102,189.

Revised/Final Submittal

Under this proposed structure, the total exemption would be \$655,926.04 and the annual exemption will be \$43,728.40. The property would be reassessed on an annual basis. La Orillia will pay an annual PILOT of \$46,183.83. and total PILOT of \$692,757.43.

| | Original Application | Revised/Final Submittal |
|---|--------------------------------|---|
| IRB Amount | \$17 Million | \$4 Million |
| Term | 30 years | 15 Years |
| Personal and GRT Taxes | Exempt at 100% | Exempt at 100% |
| Current Real Property Taxes | Would not Pay | Would continue to Pay property tax of \$17,031.56 |
| Exempt Rate / Incremental increases on Property Tax | 80% / No incremental increases | 58% / Yes on Incremental increases |
| Annual Reassessment | No | Yes |

NOTE: PILOT covers required school portions for APS and CNM.

Performance Clawbacks:

If the number of full-time equivalent employees attributable to the Project is less than job numbers listed below on the first December 31 following the Completion Date and every December 31st thereafter as set forth in the annual report, then La Orillia may be required to pay to the County, an amount not exceeding:

- a. The percentage of the ad valorem taxes on real and personal Leased Property that La Orillia would have been required to pay with respect to the Performance Year if the Bonds had not been issued by the County and the Leased Property had been subject to ad valorem taxation, calculated using mil levies and actual property tax valuations and rates for the Performance Year.

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- b. The Employment Target Applicable Percentage of the amount of Gross Receipts Tax that would have been payable by vendors of Leased Property with respect to the Performance Year if the Bonds had not been issued and receipts from sales of Leased Property had not been deductible from gross receipts of the vendors.
- c. The Employment Target Applicable Percentage of the amount of compensating tax that would have been payable (arising from liability incurred in the Performance Year) by the Applicant with respect to Leased Property if the Bonds had not been issued.

Local Hiring Provisions:

According to the Applicant, the tenant companies are being encouraged to offer appropriate positions within their organizations to qualified prospective employees residing in the County where such prospective employees possess qualifications for such positions equal to or greater than the qualifications of other prospective employees who might exist at the time of hiring. The Applicant anticipates that a significant number of employees for the tenants in the Project will be hired from the County area.

Local Purchasing Provisions:

The Applicant agrees that a reasonably significant proportion of all costs of labor, services, materials and supplies in connection with the acquisition, construction, equipping and operation of the Project will be expended with vendors based within the County, and that vendors based within the County shall be awarded no less than 100% of the total aggregate value of all contracts for labor and services entered into by the Company in connection with the acquisition, construction and equipping of the Project during the Construction Period.

4. Term:

If approved, the total duration of the abatement will be for 15-years.

5. Exemption and PILOT Fee:

Below are the current taxes, exemptions, full buildout exemptions, and PILOT to be paid in the county over the 15-year term of the IRB. The PILOT is to be in an amount equal to a base PILOT amount of \$17,031.56, plus fifty-eight (58%) of any incremental increase over the PILOT Base Amount.

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| Property Taxes | |
|---|------------------------|
| 2016 Taxes | \$ 17,031.56 |
| Full Buildout Annual Taxes | \$ 199,002.00 |
| Exemption | |
| Annual County Exemption Amount | \$ 61,869.00 |
| Total County Exemption Amount | \$ 928,035.00 |
| Annual Exemption Amount | \$ 105,542.86 |
| Total Exemption Amount | \$ 4,432,800.12 |
| Total Personal Property Exemption | \$ 194,687.00 |
| PILOT | |
| Annual Base PILOT | \$ 17,031.76 |
| Incremental PILOT (Paid to County) | \$ 93,459.14 |
| Total PILOT Fee (Paid to the County) | \$ 3,925,283.88 |

C. Company Information / History

The Village @ La Orilla, LLC was formed by Mr. Philip L. Lindborg, CPA and Mr. Jude Baca in September 9, 2015 for the specific development of an eight acres commercial/retail site on Coors Blvd. NW and La Orilla Road NW. The company is located in Albuquerque, New Mexico, at 12809 Donette Court, NE, Alb., NM 87112.

Mr. Phil Lindborg, CPA has over 30 years of real estate experience encompassing real estate sales and assemblages for production builders, retail and industrial leasing and investment property sales. Mr. Jude Baca, a life-long resident of New Mexico, entered the real estate industry in 1977 as a Real Estate Broker for Century 21. He started his own real estate development company in 1995 working with both residential and commercial projects.

On February 16, 2016, the Bernalillo County Commission approved an Impact Fee Waiver in the amount of \$77,501.77.

Applicant: Jude Baca
Agent: Bill Haltom, Esq.
Address: 12809 Donette Court, NE, Alb., NM 87112
Telephone: (505) 235-5043

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D. Economic Impact

Permanent Employment:

The Village @ La Orilla will create 287 permanent jobs in various job classifications (41 Management and 246 Support staff). The Flix Brewhouse will create 147 jobs ranging from management (13) to support staff (134) and the brewery brings new manufacturing jobs and also distributes to other area pubs. The company offers a significant benefits package that includes competitive salaries and medical insurance.

The project's other tenants are local (Nusenda Credit Union, Village Pizza, etc.) and national companies (Go Wireless, The Mattress Store, Early Childhood Development, Great Clips, Dunkin Donuts/Baskin Robbins, and others). All offer competitive salaries and employee benefits packages. Estimated annual salaries will be \$1,801,080 and range from \$805,180 for management, to over \$995,900 for support staff. All employers are committed to offering competitive salaries in order to retain employees.

Overall Breakdown of Employment for Tenants:

| Job Classification | Projected |
|---------------------------|------------------|
| Management | 41 |
| Administrative/Support | 246 |
| TOTAL | 287 |

Overall Breakdown of Employment for Flix Brewhouse:

| Job Class | Number of Jobs | Estimated Wages |
|---------------------------|-----------------------|------------------------|
| General Manager | 1 | \$ 75,000 |
| Assistant General Manager | 1 | \$ 55,000 |
| Lead Brewer | 1 | \$ 50,000 |
| Assistant Brewer | 1 | \$ 32,000 |
| Kitchen Manager | 1 | \$ 55,000 |
| Engineering Manager | 1 | \$ 32,000 |
| Bar Manager | 1 | \$ 45,000 |
| Service Manager | 1 | \$ 47,000 |
| Supervisors | 2 | \$ 29,120 |
| Tech Assistant | 1 | \$ 27,040 |
| Assistant Kitchen Manager | 1 | \$ 33,280 |
| Kitchen Supervisor | 1 | \$ 29,120 |

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| | | |
|---------------|----|-------------------|
| Hosts | 1 | \$ 16,640 |
| Kitchen Staff | 48 | \$ 23,400 |
| Servers | 40 | \$2.13/hr. + Tips |
| Runners | 22 | \$5.50/hr. + Tips |
| Bar Staff | 12 | \$4.50/hr. + Tips |

Economic and Fiscal Impact During Construction of the Facility:

The Village @ La Orilla will create over 343 temporary construction jobs during the term of the project. Snyder Construction (a local New Mexico contractor) is the General Contractor and has selected all local Albuquerque subcontractors to complete the various phases of construction. Estimated wages for construction workers will be over \$9.5 million.

Economic Impact over the First 15 Years of the Facility's Operations:

The Village @ La Orilla is within the unincorporated area of Bernalillo County, thus the estimated economic impact from Gross Receipts tax revenue alone will be well over \$1.4 million with an estimated \$20 million in sales annually.

The facility is estimated to have a total Employment Multiplier of **1.5136** during operations; meaning for every direct job created by the facility, an additional **0.5136** indirect or induced jobs will be created within the region.

The expanded facility will have the following economic impact on Bernalillo County over the first 15 years of operations:

| Economic Impact over the First <u>15</u> Years of the Facility's Operations | |
|--|--------------------|
| Direct Number of Permanent Jobs to be retained/created | 287 |
| Indirect/Induced (Jobs Created within the Region) | 147 |
| Total | 434 |
| Employment Multiplier (During Operations) | 1.5136 |
| Additional Revenues for Bernalillo County | |
| GRT | \$5,446,970 |
| Property Tax | \$240,565 |

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Payback Period:

The payback period to recover the incentives' costs contributed to the project from the additional revenues that it will receive from the facility is **0.7** years.

Return on Investment:

The County's average annual rate of return from additional revenues that it will receive on the investment of incentives is estimated to be **121.1%** percent.

F. Employment Information

Benefits the Employer provides Permanent Employees:

Typical large theatre and food service employee benefit package for Flix Theatre and Brewhouse and fast food service venues includes health and disability insurance. Professional service providers offer professional level employee benefit package including healthcare, disability insurance, PTO, continuing education assistance and retirement plan.

G. Community Impact

Parking Requirement:

1. The Bernalillo County Commission approved a Special Use Permit (SUP) for the Village @ La Orilla with a parking requirement of 498 parking spaces.
2. Understanding the neighborhood concerns about parking, the Village @ La Orilla added 23 additional spaces to create a total of 521 parking spaces; thereby exceeding the approved amount.
3. Also, it needs to be pointed out, that due to the current construction, 48 of the 521 parking spaces, still need to be built out and this work will be completed by the end of April, 2017.
4. Flix Brewhouse has a parking agreement with Sandia Area Credit Union (across the street from Village @ La Orilla) that provides additional parking for employees, if necessary.

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Environmental Impact:

The Village @ La Orilla, LLC. is committed to the construction of buildings that are energy efficient, protect the health and safety of the employees and surrounding communities and reduce waste, pollution and environmental degradation.

H. Staff Comments:

This project encourages *infill*, which has been promoted as an economical use of existing infrastructure. In addition to the economic-based brewery distribution, the Village @ La Orilla development provides additional amenities for our residents and achieves one of our major categories of activity, *Quality of Life*.

Based upon established criteria, Staff presents the Village @ La Orilla, LLC. application to the Commission for consideration and vote.

I. Economic Development Review Committee:

Following discussion, the *Economic Development Review Committee* approved the Village at La Orilla's IRB request as presented by the Economic Development Department.

Project Impact Summary

The Village @ La Orilla is a planned mixed use development in Albuquerque. An estimated \$17 million will be invested in the project and the project will create 287 jobs. The firm is requesting a \$4 million IRB over 15 years to finance the development.

JOBS



434.0 Total
287.0 Direct
147.0 Spin-off

AVERAGE SALARY WITH MANY PART-TIME



\$8,290 Total
\$6,280 Direct
\$12,220 Spin-off

CAPITAL INVESTMENT



\$14.5 M
Buildings & Equipment

ECONOMIC IMPACT



\$45.5 M Total
\$28.1 M Direct
\$17.4 M Spin-off

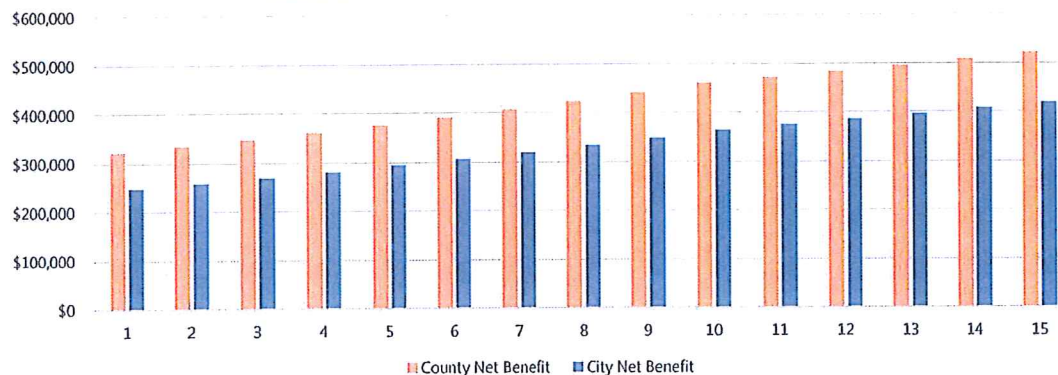
Average economic output over period.

County & City Net Benefits Over 30 Years

| | Bernalillo County | City of Albuquerque |
|------------------------------------|--------------------|----------------------|
| Gross Receipts Taxes | \$5,446,970 | \$4,139,461 |
| Property Taxes* | \$240,565 | \$249,869 |
| Utilities | \$0 | \$1,624,088 |
| Utility Franchise Fees | \$0 | \$623,272 |
| Payments in Lieu of Taxes | \$692,757 | \$0 |
| Lodgers Taxes | \$0 | \$0 |
| Other Taxes and User Fees | \$27,237 | \$21,790 |
| Subtotal Benefits | \$6,407,530 | \$6,658,479 |
| Costs of Services to New Residents | (\$54,474) | (\$108,949) |
| Costs of Services to the Facility | \$0 | \$0 |
| Cost of Utility Services | \$0 | (\$1,542,883) |
| Subtotal Costs | (\$54,474) | (\$1,651,832) |
| Net Benefits Less Incentives | \$6,353,055 | \$5,006,647 |
| Present Value (5.5% discount rate) | \$4,104,347 | \$3,223,785 |

* After property tax abatement.

Annual Net Benefits



Overall Summary

| | Benefits | Costs | Net Benefits | Present Value of Net Benefits | Value of Tax Abatement |
|--------------------------------------|---------------------|----------------------|---------------------|-------------------------------|------------------------|
| Bernalillo County | \$6,407,530 | (\$54,474) | \$6,353,055 | \$4,104,347 | \$196,710 |
| City of Albuquerque | \$6,658,479 | (\$1,651,832) | \$5,006,647 | \$3,223,785 | \$185,351 |
| Albuquerque Public Schools | \$1,810,840 | (\$964,726) | \$846,114 | \$1,024,058 | \$181,489 |
| University of New Mexico Hospital | \$138,547 | \$0 | \$138,547 | \$92,123 | \$102,973 |
| Central New Mexico Community College | \$75,906 | \$0 | \$75,906 | \$50,480 | \$57,118 |
| AMAFCA | \$22,883 | \$0 | \$22,883 | \$15,234 | \$18,535 |
| Total | \$15,114,185 | (\$2,671,032) | \$12,443,153 | \$8,510,026 | \$742,175 |

Note: The benefits and net benefits shown above have already been reduced by the amount of the tax abatement.

EXHIBIT B

| Bernalillo County Conduit Debt Review Form | | | |
|---|---|------------|----|
| Project <u>LA ORILLA, LLC</u> has been reviewed by both the Economic Development Department and Finance Special Projects. The project complies with the following criteria from Bernalillo County's Conduit Financing Policy. | | | |
| Compliance Criteria | | Compliance | |
| | | Yes | No |
| 1 | Does project meet economic development project qualifications? | X | |
| 2 | Does project meet qualified entity test? | X | |
| 3 | Did project pay application fee and legal deposit? | X | |
| 4 | Does project result in new job creation? | X | |
| 5 | Is the project eligible to begin construction as of the closing of the transaction? | X | |
| 6 | Does project identify bond purchasers? | X | |
| 7 | Does project conflict with County Debt Policy or Conduit Financing Policy? | | X |
| 8 | Does the project require a waiver by the County Manager/Economic Development Department of any of the requirements of the County Economic Development Policies to be approved by the Board of County Commissioners? | | X |
| 9 | Does this project create additional compliance reporting, project management, or unordinary activity for any County department? | | X |
| 10 | Does project utilize qualified form of collateral? <u>N/A</u> | | |
| 11 | Does the project have any State or Federal tax liens? | | X |
| 12 | Does the project meet the property tax abatement limitation of 1% of total annual County levy abatements? | X | |
| 13 | Does the project meet the \$30,000 property tax abatement limitation of the County portion? <u>N/A</u> | | |
| 14 | Does the Economic Development Department / Finance Special Projects recommend approval of the project for an Industrial Revenue Bond? | X | |
| 15 | Does the project ensure significant amount of employees hired will be from Bernalillo County and will be economic-based jobs? | X | |
| 16 | Is local purchasing provisions appropriate to the proposed project? | X | |
| 17 | Has applicant provided notice and summary to the district representative? | X | |
| 18 | Has item been placed on the agenda with at least one Commission sponsor? | X | |